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TAGS: [PGOV](#) [PHUM](#) [ECON](#) [PINR](#) [RS](#)
SUBJECT: FORMER RUSSIAN PRIME MINISTER SAYS "CORPORATION"
FEARS LOSS OF CONTROL AFTER PUTIN'S DEPARTURE

REF: 05 MOSCOW 15735

Classified By: Ambassador William J. Burns. Reasons 1.4 (B/D).

¶1. (C) In a March 21 meeting with the Ambassador, former Prime Minister Mikhail Kasyanov:

-- Claimed current GOR and Kremlin officials were mainly interested in preserving their interests within the status quo, which affected policy decisions and the competition to succeed President Putin in 2008;

-- Said meaningful structural reform was unlikely over the next two years in order to avoid undermining Putin's strong popular support, but the government would continue to consolidate industries;

-- Thought there was no need to pursue unification of democratic opposition parties since most had limited political objectives and did not believe in the centrist strategy that Kasyanov envisioned;

-- Predicted that the 2007-08 elections would not be free or fair but that most of the violations would occur beforehand due to lack of equal media access and problems with registration of parties and candidates; and

-- Cautioned the West against "giving up on Russia" and said it should continue to stay engaged and speak out against undemocratic practices. END SUMMARY.

¶2. (U) The Ambassador met March 21 with former Prime Minister Mikhail Kasyanov. Also present were Oleg Buklemishev, Kasyanov's chief analyst and foreign policy advisor, and Konstantin Merzlikin, former Chief of Staff in Kasyanov's cabinet. Both Buklemishev and Merzlikin are employees of MK Analytika, Kasyanov's consulting firm. Kasyanov said the firm was not doing well but offered him a mechanism for keeping a short list of prospective staff and advisors on the payroll.

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ECONOMIC AND SOCIAL REFORM STALLED

¶3. (C) Kasyanov asserted at the outset that the current situation in the country was not good despite the semblance of economic normalcy and stability (except for some concern over inflation). In particular, Kasyanov said most senior GOR officials and Kremlin advisors, sometimes in association with leading businessmen -- the "corporation" -- were mainly interested in preserving the status quo and maintaining control over important economic sectors. In addition, many were blatantly corrupt and had lost all understanding of morality or sense of the common good. Their actions and competition for influence often negatively affected policy decisions, as had become increasingly apparent in the

arguments used by supporters of the two front-runners seeking to succeed Putin. In Kasyanov's view, First Deputy PM Dmitriy Medvedev and Deputy PM (and Defense Minister) Sergey Ivanov were the only candidates at the moment. He explained that it was too soon (and the situation too complicated) to speculate about these or other possible candidates, especially since Putin himself had not expressed a clear preference.

14. (C) The former PM distinguished between senior officials who were not sufficiently versed in running a modern government and those who were competent and understood the need to address Western concerns. Kasyanov said many top officials genuinely wished to earn the respect of the West and to avoid the "totalitarian isolation" that would await Russia if they pressed too far in exerting control. These latter officials recognized that there should be more balance, as well as a more horizontal sharing of power, if the country hoped to maintain positive relations with the West. In this context, Kasyanov avowed that the U.S. role was crucial. He suggested, as an example, that the auction of one or more state-controlled TV channels to private investors might allay foreign perceptions of dictatorship.

15. (C) As part of the need to maintain control, particularly in the run-up to the next election cycle, Kasyanov predicted there would be no meaningful structural reform for fear that it would undermine Putin's popularity and, implicitly, support for current senior officials. He dismissed the national priority projects, emphasizing that there was no apparent accountability for the implementation costs involved or any real effort to explain the program to citizens. In the meantime, Kasyanov added, the government would continue to consolidate industries over the next two years, and some

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former oligarchs and current top officials could become the new "industrialists." He noted that a new president in 2008 would thus preside over a completely changed environment than the one inherited by Putin. Kasyanov also suggested that Putin would return in some position of influence in the future. He described Putin as a person who "did not like wielding power, preferring instead to operate in the gray areas."

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G-8 TURNING POINT FOR NGOS

16. (C) Many NGOs are looking toward the G-8 summit as a potential "turning point," in Kasyanov's opinion. Some are angry about the government's campaign to proscribe their activities and believe that they can no longer ignore politics because "there was nobody left to defend them." Some groups fear repression of their activities will get underway in earnest after the July summit, but Kasyanov did not agree with this view entirely. He said the most aggressive NGOs would probably lose much of their current influence, but he was not convinced there would be a wholesale crackdown in the future.

17. (C) Nonetheless, Kasyanov said there was real pressure on the business community, as well as on the burgeoning middle class, to avoid political activities. The strategy was effective, and many members of these societal segments heeded government -- and presidential -- warnings. But Kasyanov also noted that some businessmen had confided to him that they personally supported the democratic opposition, including himself, but believed they could not do so openly for fear of official sanctions. In spite of such obstacles, Kasyanov said he would continue to press his political campaign. There should be no "revolution in the streets," but he thought people should have the opportunity to exercise their rights.

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18. (C) Kasyanov said he wanted to stake out a centrist position as part of his campaign. Alluding to the government's strategy when he was Prime Minister, Kasyanov thought his electoral platform could be structured along the same lines -- laying down a solid macroeconomic foundation, followed by genuine economic and social reform. Asked about prospects for democratic opposition unity, Kasyanov replied that his analysis, including via discussions with NGOs, indicated that many people had lost faith in the leaders of the traditional parties. In his view, some of these leaders had limited political objectives and were content merely to cross the seven percent barrier to enter the Duma; they had no burning desire to seek executive power before 2012.

19. (C) Thus, Kasyanov saw no need to pursue unification with other democratic forces. Kasyanov preferred a new party or mechanism that would, among other things, devote more attention to regional issues. He said his soundings in the provinces suggested that people wanted a less confrontational, more centrist position, as well as new leaders to replace those who had lost the confidence of voters.

110. (C) Kasyanov said there was "absolutely no" chance for a merger between Yabloko and the Union of Right Forces (SPS). He mentioned that supporters from both parties, along with some "social democrats" from among Rodina's ranks, had gravitated toward his organization. Kasyanov implied that he would continue to try to pick up the remnants of these parties as he pursued an electoral strategy, particularly regarding SPS members, who seemed to be more in tune with Kasyanov's views than were the "intelligentsia" of Yabloko.

111. (C) Looking ahead to the next national election cycle, Kasyanov did not believe that the elections would be free or fair. Actual voting will appear to occur normally; any fraud will be more "high tech." He added, however, that the government really did not need to manipulate voting machines or vote counts since the real violations will occur beforehand in the form of unequal media access during the campaign and difficulties in registering parties or candidates.

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DON'T GIVE UP ON RUSSIA

112. (C) At the end of the meeting, Kasyanov referred to the

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report by the Council on Foreign Relations, characterizing it as a "good analysis of the situation" in Russia. However, there was a danger that both Westerners and Russians might use such reports to bolster arguments to undermine engagement between our two societies and create an even more divisive atmosphere. In this vein, Kasyanov cautioned that the West should not give up on Russia; it should stay engaged and speak out against undemocratic practices here.

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COMMENT

113. (C) As we have noted in previous reporting, Kasyanov can be impressively persuasive, and even his critics acknowledge that as Prime Minister he was an effective administrator with a defined program of goals and objectives. However, he will face a very (perhaps impossibly) steep road back to political power. Apart from persistent allegations that "Two Percent Misha" often had his hand in the official cookie jar and that he retains close ties to unpopular "oligarchic" interests, his centrist, virtually go-it-alone approach will not engender the widespread support that he needs to mount a

credible campaign for the presidency. Kasyanov's own acknowledgement of formidable official pressure on the business community and the middle class -- the two sectors most likely to support his program -- implies that he himself recognizes the shortcomings of his strategy. To the extent that Kasyanov hopes that a sudden collapse of trust in Putin might lead the bureaucracy to shift its support to him, the Kremlin's current strategy of hounding him (reftel), while improving short-term economic prospects for most of the population, also limits Kasyanov's prospects.

BURNS